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FROM FODAG

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SUBJECT: REPORT OF FAO PROGRAM COMMITTEE AND JOINT
FINANCE AND PROGRAM COMMITTEE

1. Summary. This cable reports on the outcomes of the Joint Session of the UN Food and Agriculture Organization's (FAO) Finance and Program Committees and the FAO Program Committee. Important outcomes from the Program Committee include full support for the International Plant Protection Business Plan "under any funding scenario" and FAO Secretariat assurance that FAO's "Food Chain" activities for the next biennium were "not related" to the draft "Food Chain" strategy submitted to the last Committee on Agriculture. The Program Committee will continue to discuss the question of priority setting -- in principle and practice -- at the next session in September. The Joint Session also briefly discussed the recently released JIU Report on Administration and Management at the FAO. End Summary.

"Aren't we doing everything we were asked to do?"

2. The Joint Session of FAO's Program and Finance Committee met May 7, 2003. FAO Director General (DG) Jacques Diouf opened the session with a plea for a real growth budget for the next biennium, arguing that member economies had grown, that member demands on the FAO had increased, but that FAO continued to be the "hardest hit" in the UN system by budget constraints. DG Diouf noted, in fact that staffing reductions in the Finance Division had, in the view of the outgoing External Auditor, put the organization at risk in terms of internal financial management controls. DG Diouf stated that members asked for more activities, but did not prioritize activities. He added that this was not the secretariat's job.

3. The DG ran through a list of FAO accomplishments, including FAO's food security strategies for various regions, FAO's statistics work, the 33 million "hits" a month received by FAO's web-site, FAO's role as a platform for international negotiations, its role in advocating rural development at the World Summit on Sustainable Development in 2002 and its "pro-active role on GMO's." Concerning GMO's, DG Diouf hastened to add that work was also being done on "precautionary measures" and "labeling." Turning to FAO's Special Program for Food Security (SPFS), DG Diouf noted that the program -- launched at USD 35 million -- was now worth USD 500 million and was a stellar example of south-south cooperation, and country ownership (in many SPFS projects, close to half of the costs are borne by the host government). In closing, the DG asked, "What's missing? Aren't we doing everything we were asked to do? Do you want to help the 800 million hungry? Give them the tools to help themselves."

Report of Program Committee -- some agreement on Standard Setting...

4. The Chair of the Program Committee (Blair Hankey of Canada) ran through the Program Committee's (PC) discussion of the 2004-2005 Summary Program of Work and Budget. He noted that the conclusions of the technical committees (e.g., the Committees on Agriculture, Forestry, Fishery and Commodity Problems) had not yet been reflected in the budget, but would be in the next version.

-- On priority setting in general, PC members agreed that "methodological tools", such as application of criteria and weighting methods could be useful; nonetheless, they should not substitute for the "political process." The PC will continue to discuss improving the priority setting process at its next session in September 2003.

-- On the priorities for the SPWB for 2004-2005, G-77 members felt that a real growth budget was the only way to meet all of the needs; OECD members of the Committee felt that areas of highest priority "should be adequately resourced, irrespective of budget levels."

-- The PC agreed that the "scope and funding of some entities and PAIA's be adjusted in the full PWB, based on guidance received from the last Committee on Agriculture, including for work on Biotechnology, Biosecurity, Ethics,

and Good Agricultural Practices." In this regard, the PC also noted that the entity on the Food Chain in the SPWB was, according to the Secretariat, "not related to the draft strategy document on a food chain approach to food safety and quality discussed at COAG."

-- While not identifying any activities to cut, the PC did agree that the International Plant Protection (IPPC) "Business Plan" should be funded under any budget scenario.

-- The PC also reaffirmed that the FAO should provide its share of the additional resources required for the recommendations of the joint FAO/WHO Evaluation of Codex Alimentarius. Furthermore, activities originally programmed under the "Food Chain" program entity for 2004-2005 (in the real growth scenario) could be cut and corresponding savings reallocated to Codex and Codex related work (Comment: This is a positive outcome, however, those "savings" will only accrue if the FAO Conference agrees to a real growth budget." End comment.)

-- The PC stressed the "desirability" of providing increased resources for Fisheries and recommended that the budget for Forestry be "restored to at least the same level as in the current PWB 2002-2003."

-- On FAO country representatives, the PC reiterated the importance of appointing qualified FAO representatives and of their performance appraisal.

-- The PC requested that more information on FAO's Technical Cooperation Program (TCP) be provided in the SPWB. Developing country members of the PC also argued that FAO's Technical Cooperation Program (TCP) needed more resources.

-- The PC also agreed that there should be an HIV/AIDS Priority Area of Inter-Disciplinary Action (PAIA). The Committee called for a review of the existing PAIA's at some time in the next biennium.

-- Concerning SPFS, while noting that developing countries argued that the SPFS was "the most effective international program bringing practical assistance to farmers", the Chair noted that there were questions from other members as to whether the program targeted the poorest, and as to why there were no SPFS projects at Phase II (i.e. self-sustainable).

...but not at the expense of technical cooperation programs

15. Taking the floor in response to the PC Chair's presentation, PC member Malaysia agreed that developing countries also sought results based programming, that quality of programs was important, and that developing countries very much wanted standard setting and capacity building to implement those standard. However, increasing food production and food security was "a priority" that came ahead of "food safety." He stated unequivocally that standard setting activities, however, useful, must not be increased to the detriment of TCP or SPFS.

Report of the Finance Committee: no agreement on Split Currency or Budget Level

16. Finance Committee Chair Humberto Molina took the floor briefly to state that the Finance Committee (FC) had not come to any agreement on the budget level or on the proposal for a split currency assessment.

Joint Session of Program and Finance Committees: Members present budget positions

17. Members of the Finance Committees and Program Committees took the floor to present general budget positions. The U.S., Japan and Australia supported zero nominal growth (ZNG). USDel noted that FAO was years

behind in spending its current TCP allocation therefore increasing the TCP allocation did not make sense; furthermore, in an effort to assist in prioritizing, the U.S. was one of the few countries that had consistently suggested activities of low priority to be terminated.

18. Australia noted that the widely-supported activities

of the Interim Commission on Phytosanitary Measures were not protected in the ZNG or Zero Real Growth (ZRG) scenarios. From this he could only conclude: "either the Secretariat is unresponsive, or else members are being

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held to ransom by the Secretariat over the budget issue."

19. The Netherlands, Switzerland and the Latin American members of the Program Committee (Dominican Republic, Paraguay) supported Zero Real Growth (ZRG). Pakistan stated (in response to the DG's presentation), "if the FAO is going to link world hunger to its budget, then the Program of Work and Budget should have those indicators."

Independence and Location of the Evaluation Service

10. PC and FC members discussed the report -- a follow-up to a recommendation of the External Auditor -- concerning independence and location of the FAO's Evaluation Service. Members generally did not support the suggestion to merge the audit and evaluation function. Developed and developing countries did support, however, increasing the independence of the Evaluation Unit. Some members recalled that at the International Fund for Agricultural Development (IFAD) a similar process had taken place just this year, and the Evaluation Unit now reported to the Executive Board rather than to the President. The next Joint Session will discuss the proposal in further detail based on an options paper to be prepared by the FAO Secretariat.

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JIU Report on FAO Management and Administration

10. Those members who spoke (U.S., Netherlands, Switzerland) called attention to the important recommendations of the JIU report and called for implementation and monitoring of follow-up. It was agreed that certain items which came under the purview of the Finance and Program Committees would be divided up by those Committees for further consideration at the September session. Hall

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